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ABSTRACT

In England, vocational education and training (VET) does not exist as an institutionalized system as in Europe, where specialist institutions are tied to vocational qualifications, the labor market, and long-term objectives. Education has purposes other than to provide a skilled work force for the economy. However, the relationship between education and the economy remains vital because economies depend on individuals' ability to transform new knowledge into the innovations that generate new businesses and new jobs. Education for economic purposes must provide for increased productivity; deal with new technology and new skills; show how to exploit technology and knowledge; and provide training for innovation, evolution, and changing know-how. Vocational training providers must be viewed as informed providers with their own intelligent analysis of labor markets, skills development, and economic trends in their area. The state's role in reforming VET should be more strategic than tactical; it should set the framework. The new framework that the government is proposing for VET is an opportunity to contemplate expert, modern, front-line skills delivery by providers whose core business is learning and work, providing the just-in-time skills solutions for businesses facing intense and shifting pressures. (The complete transcript of this speech is included.) (MN)

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It's the economy, stupid!
Re-thinking learning and skills

Chris Hughes, Chief Executive, FEDA

Abridged version of speech made at
RSA OCR lecture, 7 February 2000

1. As we look at the Learning and Skills Bill, which will deliver a radical structural reform which I very much welcome, we see a platform for change: the bringing together of education and training, the merger dividend from the reform of the DfEE four years ago. Within the new framework I want to argue for a proper emphasis on skills and the economy, a new debate about the content of the skills curriculum, and the overwhelming need for a modern, front-line delivery system, so that we might reach a point in England where we could say we are a world-class vocational education and training system, facilitated by the new Learning and Skills Council.

2. We have some way to go. Our starting point is this: we have no discernible vocational education and training (VET) system. In England it does not exist as an institutionalised system as in Europe, where specialist institutions are tied to vocational qualifications, the labour market, and long-term objectives built on the consensus that VET is (a) important and (b) distinctive. An OECD report described vocational education and training in England and Wales as a mixed system in which there was an absence of any dominant form of delivery. What are we to do about this? It seems we do have in England a number of endemic problems. There is an antipathy to vocationalism, there is too often a distrust of providers, we continue to have uncertain frameworks for employers and their involvement, and we have our typical short-termism.

3. Some post-compulsory educators don't seem to like the very notion of 'vocational'. I wonder why we are so continuously cool, if not critical, of the supply side. Educational institutions and training providers are specialists in the business of skills, learning, and work, but it's in a tradition that goes back to 1776. Adam Smith, in *The wealth of nations*, wrote, 'The greater part of what is taught in schools and universities does not seem to be the most proper preparation for business.' Why can't we recognise the concept of the informed supplier as we do in the rest of business? A supplier who might actually be ahead of customers in identifying needs and opportunities.

4. Why is this such a perennial issue? Let me make clear my own position on the relationship between education and the economy. Education has other purposes than to provide a skilled workforce for the economy. Lifelong learning is an essential idea at the beginning of the 21st century. But it is important that it should move beyond mere adaptation to work. It should

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become part of the broader concept of education, pursued throughout life, the precondition for the harmonious and continuous development of the individual. On the other hand, the future of individual economies must depend on their ability to transform advances in knowledge into innovations that generate new businesses and new jobs. Therefore the relationship between education and the economy is vital.

5. I wish to address that largely from a supplier's view. First of all, it is time we became comfortable with diversity of mission in the post-compulsory education and training system. In further education in particular we need to encourage more diversity of mission, less of all things to all people, more differentiation, the emergence of skills missions. More specialist and more expert providers would allow for the development of this concept of the informed supplier, well understood in business. We must invest hope in dynamic, innovative, front-line delivery. We cannot treat providers as slave suppliers, learning utilities, easily interchangeable one with another, because in the end it will be the colleges and the providers who have customers, not the local offices of a funding and planning non-departmental public body.

6. What of the content of the new skills agenda? Education for economic purposes is fairly straightforward, I suggest. It needs to provide for increased productivity, needs to deal with new technology and new skills, needs to show how to exploit technology and knowledge, and provide training for innovation, evolution, changing know-how. We know that in manufacturing and production, technical progress is changing skills from physical effort and repetitive process to controlling, maintaining, and monitoring machines and design, study, and organisation tasks. New technical skills, team working, the use of workers as change agents in organisations, is creating a new personal competency mix.

7. How should the supply side react to the new orthodoxy of globalisation and the new knowledge-driven economies? Globalisation has been the buzz word of the 1990s and national economies are undoubtedly becoming steadily more integrated as cross-border flows of trade, investment and capital increase. Industrial convergence is causing consolidation and common cost profiles for international industries, and therefore to maintain a return on assets, to maintain shareholder value, productivity has to improve faster than output growth, and workers are laid off as a result. That looks to be a fairly remorseless process in many industries. We in education and training need to understand it, because what it means is this: that investment in skills is vital for productivity, but we must not be persuaded that unemployment is just a function of a skills deficit. The danger is that we allow education to be seen as the cause of economic failure in the future. We mustn't let that happen.

8. Then there is the matter of information and communications technology (ICT). It's simply not possible to evaluate ICT's impact on knowledge and learning over the next 10-20 years. It will have a huge impact, but how and when? I would add to Moore's Law – the idea that computing power doubles every 18 months – Hughes's Law: ICT develops so fast that the potential for learning is never realised as new possibilities emerge and displace existing development. Also, can we envisage suppliers of education and training and funding bodies for education and training being able to live with the vast up-front capital cost of development of learning technology platforms? Of course it's good sport to see how much we get the future wrong in general. But those of us who provide the education and training for our young people and adults need a more calculated view of the future, beyond assertions about change at unprecedented rates, dinner-party chat about living on thin air and weightless economies.

9. We need to concentrate on what works. What are the best arrangements for vocational education and training in the early years of the 21st century? Perhaps we need to try and put an end to the mood swings from markets to state planning in our approach to supply and demand in the provision of VET. Markets work by providing customers with a price and a choice. If you leave either of these out, as happened in the so-called marketisation of FE in 1992, you create a quasi or artificial market. These markets tend not to work and require increasing levels of intervention, as we have seen in the National Health Service and the utilities, and as we are now seeing in further education.

10. In the world of vocational education and training, our learning market is complicated by the existence of three separate but connected markets. First there is the immediate market, the would-be learner. Second an intermediate market, the employer. Third an ultimate market, the economy. They're different, and it is the different motivation and choice processes between these markets that bedevils much debate about our vocational training system.

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We need to sort that discourse out or we will not make progress. We also need to think about the continuous shift in the requirements we make of our supply side. For example, our differing interpretations of what we mean by 'value for money'. Each of the three Es in value for money – economy, efficiency, effectiveness – is brought to bear in different ways at different times. In the early years of the 1990s, with the expansion of access and a focus on mass participation, the emphasis was on efficiency. But now the agenda is effectiveness. The learning and skills proposition is clearly for a more interventionist framework to create high-quality, responsive providers, presumably on the premise that it is the brakes that allow a car to go faster. We need to begin to treat our vocational training providers as being within the real world, not in some silo separate from it, and in particular to be part of supply chains providing employers with services like any other part of a supply chain. We need to see them as informed providers with their own intelligent analysis of labour markets, skills development, and economic trends in their area.

11. Next we need to get to grips with all this knowledge stuff. ICT is transforming knowledge flows. What is meant by comparative advantage is being redefined by global pursuit of best practice. But meeting the challenge of creating wealth is about people harnessing technology, as it always was, from steam engines to mass production to e-commerce. Important though the Internet may be, it is less central to the future than simple human skills applied in increasingly unfamiliar contexts. So are there, at the heart of a new vocational education and training curriculum proposition, central skills of innovation, decision-making and organisation, that will be vital in a knowledge-rich, networked economy?

12. I hope I've made a case for saying that we need to modernise our front line. We do need to think about what we would mean by high-volume, customised delivery of learning and skills. Just what is the role of the intermediary in the provision of the supply of learning and skills? Many employers, I'm sure, would want to be closer to their colleges and their training providers. They would want to be in a quality supply-side relationship. What is the role of the State in preparing this framework? The State's role should be more strategic than tactical: setting the framework. Currently some parts of the framework are stronger than others. The learning and skills proposals, for example, are extremely clear on quality. We have well spelt-out arrangements for inspection – new, independent, more accountable inspection systems. Other parts of the framework seem vulnerable to sudden shifts. The supply side is currently moving from the relatively loose framework of institutional autonomy for colleges, and with private companies, training and enterprise councils, finding local solutions to training needs, to a much stronger framework which places all providers in a much stronger local planning bureaucracy.

13. To sum up: while most economists don't accept the direct links between educational outcomes and economic performance, and labour-market economists tend to judge the effectiveness of the system through rate-of-return studies – that is, the benefit to the individuals – we need to press on with the case for linking education and economy. Common sense, intuition and history tell us that we need a competitive workforce for a competitive economy. The creation of a Learning and Skills Council is a once in a generation opportunity to get the supply side right. It will then leave all of us free to concentrate on the bigger issue which is generating effective demand for learning and skills. The new framework that the Government is proposing allows us to contemplate expert, modern, front-line skills delivery on campus, in new locations, at the workplace or in the home, with a set of providers whose core business is learning and work providing those just-in-time skills solutions for businesses facing intense and shifting pressures.

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IT'S THE ECONOMY, STUPID! RE-THINKING LEARNING AND SKILLS

Chris Hughes, Chief Executive, FEDA

RSA lecture

7 February 2000

1. Hi, good evening and thanks Chris [Humphries, Chairman of National Skills Task Force] for the introduction and warm-up. It's a delight to be here and I'm very pleased to have been asked. It's good to see so many people in the audience who are critical to the future of FEDA, and my own future in particular. It makes for a particularly informal and relaxed occasion from my point of view.

2. I'd like to share with you, to begin with, something that I have learnt in preparing for this lecture - don't let your marketing director choose your title. What seemed a really neat title six months ago, and people have been coming up to me for weeks since saying 'I'm really looking forward to that', looked rather less promising last Thursday morning when I sat down to write this lecture. But it has in fact been useful for me, therapy for me, if not for you, to reflect on 18 months in FEDA and 27 years in five different colleges and it is, unashamedly, I think, a view from the supply side about vocational education and training.

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3. One word of warning before I get stuck into it. I do have a degree in economics. I have the sort of degree you got in the mid-1960s at some universities which required you to sort of be there vaguely for three years, and I think I became more proficient in the world record for bashing pianos up. If you remember those days in the mid-60s when it was considered *de rigueur* for students to smash pianos and feed them through little hoops to win world records - I spent a lot of time doing that, sadly, at the University of Manchester.

4. But when I emigrated to Australia and turned up at Miami High School on Gold Coast City, Queensland, with a note from the state education department which said, 'Give this man a timetable', the head teacher, called the principal, said to me, 'What's your degree in?' and I said 'Economics'. And off he sent me to teach the equivalent of A-level Economics in Australia and, therefore, like all the best teachers I suddenly learnt a page ahead of the students. So if I refer to economics today then it's based on the 1968 Queensland syllabus for High School Certificate Economics; and with that cutting edge I hope to analyse some of our problems.

5. This is about vocational education and training. I was delighted at a seminar at DTI the other day to hear Lord Sainsbury say, 'What we need in this country is a world-class vocational education and training system'. And it was unusual to hear that because that language isn't all that common nowadays.

6. Anyway, my first text for today is taken from the third report of the National Skills Task Force because I didn't get where I am today without understanding the need to be nice to the chair. One quote from the Task Force resonates with me:

Understandably, there has been much attention in recent years on raising standards and participation in the public education system. We now need to match that with renewed emphasis on adult learning in and for the workplace.

7. And as we look at the Learning and Skills Bill, which will deliver radical structural reform, which I very much welcome, we see a platform for change.

8. The bringing together of education and training (the merger dividend from the reform of the Department four years ago) I particularly welcome, although not everybody does; the emergence of 16-19 as a distinctive learning phase and, therefore, a new focus on adults and the adult curriculum; the end of the silliness of schedule 2; the funding of units of qualifications and not whole qualifications and clear distinctions being made now between quality improvement and inspection.

9. If I have a concern about the detail of the Learning and Skills proposals as they unfold, it is the increasing reference to plans, provider allocations and layers of targets. As General Eisenhower said, 'Planning is indispensable, but plans are useless'.

10. However, within the new framework I want to argue tonight for a proper emphasis on skills and the economy - a new debate about the content of the skills curriculum and the overwhelming need for a modern front-line delivery system - so that we might reach a point in England where we could say we have a world-class vocational education and training system, facilitated by the new Learning and Skills Council.

11. But we have some way to go. Our starting point is this: we have no discernible vocational education and training system. Vocational education and training in England does not exist as an institutionalised system as in Europe, where specialist institutions are tied to vocational qualifications, the labour market, and long-term objectives built on the consensus that vocational education and training is: a) important and b) distinctive.

12. Too often we find training a confused term - still, for some, associated with schemes for the unemployed or very often simply referring to highly specific events such as compliance or health and safety training. Further education's marching orders for the last two years have been standards, inclusion and the skills agenda. Plenty of action on the first, but as for skills? Well I wonder.

13. An OECD report described vocational education and training in England and Wales as 'a mixed system in which there was an absence of any dominant form of delivery'. So what are we to do about

this, particularly now as we will soon be awash with skills strategies, nine from regional development agencies, 47 from local learning and skills councils, and 75 skill foresight plans from national training organisations. As Churchill said, 'No matter how good the strategy, it's occasionally worth checking what's actually happening.'

14. And ahead of so many strategies, I wonder if we really are ready on the ground to consider how we are going to make this happen. I have some sympathy with this statement from a policy document of the National Training Organisation National Council:

I would like to suggest that many of the arguments currently being used about training reform are really leading us nowhere, unless they are grounded in what works and what is necessary to deliver a prosperous and inclusive economy.

15. It seems to me, colleagues, we do have in England a number of endemic problems. There is an antipathy to vocationalism. There is too often a distrust of providers. We continue to have uncertain frameworks for employers and their involvement, and we have our typical short-termism.

16. I would like quickly just to canter through this terrain; ask a number of questions illustrated by a number of quotes to support the point I am trying to make.

17. Some post-compulsory educators don't seem to like the very notion of 'vocation'. Here's a quote from the *Adult learning magazine*, NIACE's publication, just last September:

In arguing against vocationalism, which has dominated many developments in post-compulsory education and training, I am not suggesting that there should not be any education or training provision which is vocationally orientated.

18. Well thank you very much. I think we should all celebrate that observation that there should be some. And I don't understand the positing of artificial choices between education and training focused on vocation and work and education and training focused on leisure, culture, social or personal development.

19. Last year, Professor Frank Coffield wrote a piece called, *Breaking the consensus: lifelong learning as social control*. He attacked the emerging orthodoxy, the new consensus. He spoke in these terms:

The Government tries to persuade us of new economic forces, unleashed by globalisation and technology, as uncontrollable as natural disasters, so governments have no choice but to introduce policies to 'upskill' the workforce.

20. As if the skills agenda was some educational version of the 'Don't drink and drive' campaign that we all had to be suaded about. And he went on to talk about:

Education must be modernised, it is alleged, and become more responsive to the needs of employers. In some formulations, education becomes the mere instrument of the economy.

And he quotes the Prime Minister's famous observation about the link between education and the economy.

21. I'm a great fan of Frank Coffield and in all the years that I worked in the North-East, from his early days in the University of Durham, I always relied on him to be the first to set the backlash and the way. But I do think some of the language here is disturbing. What is wrong with education aligned to the world of work and vocational education?

22. I went, following the publication of *Learning to succeed*, to a DfEE event. It was one of these events known as a consultation in which everybody in the world is invited; my friend Geoff Hall was there to make a presentation about the exciting new world of funding in learning and skills. Early in the proceedings a representative of an employer body was well into the usual diagnosis of poorly educated young people entering the labour market ill-equipped to tackle the reality of work in today's highly competitive environment. After a few minutes' of this a highly respected figure, not here tonight though, in the world of lifelong learning sharply interjected with, 'There is more to life than employment'. Well indeed there is, but couldn't this guy have

had just his five minutes about the needs of employers and the link between education, employment and the economy?

23. I go on to wonder why we are so continuously cool, if not critical, of the supply side. I started with a quote from the third report of the National Skills Task Force - here is another just seven lines in to its executive summary:

Development of skills and knowledge has never been, and should not become, the preserve of traditional education institutions or training providers.

24. I guess literally that is the case and wonder why there was a need to make the point. Educational institutions and training providers are specialists in the business of skills and learning and work, aren't they? But it's in a tradition that goes back to 1776; Adam Smith in *The wealth of nations* wrote:

The greater part of what is taught in schools and universities – does not seem to be the most proper preparation for business.

25. And I know from Andy Westwood of the Employment Policy Institute that he has traced a statement to 1552 and an early guild that complained about the quality of training for apprentices. Why can't we recognise the concept of the informed supplier, as we do in the rest of business, the supplier who might actually be ahead of customers in identifying needs and opportunities?

26. Why, is this such a perennial issue? Here's a quote from the Crowther Report 1959:

There is hardly a single generalisation that can be made about further education in England that does not require an array of reservations and exceptions before it is accurate. Further education has grown up empirically, in response to one special need or demand after another, with the arrangements of each segment devised ad hoc *and without those periodic attempts at a synoptic review that have been made in the sphere of school education. After the recommendations that we have made in earlier parts of this report have been carried out, the next stage will be the new battleground of English education.*

27. The battleground referred to in the Crowther Report in 1959 was the twin challenge of the demands of technology for skills, and increased participation. It is, colleagues, a very long running story.

28. Let me get into the debate and begin by making clear my own position on the relationship between education and the economy. This is clear isn't it? Education has other purposes than to provide a skilled workforce for the economy. Lifelong learning is an essential idea at the beginning of the 21st century, but it is important that it should move beyond mere adaptation to work. It should become part of the broader concept of education pursued

throughout life, the precondition for the harmonious and continuous development of the individual.

29. On the other hand, the future of individual economies must depend on their ability to transform advances in knowledge into innovations that generate new businesses and new jobs. Therefore, the relationship between education and the economy is vital, and I wish to address that largely from a supplier's view.

30. First of all, it is time we became comfortable with diversity of mission in the post-compulsory education and training system. I referred to a meeting with Lord Sainsbury earlier that was a seminar, largely with vice chancellors, which amongst other things was looking at diversity of mission in higher education - a debate which is beginning to say that not every university can equally be good at research and teaching and a number of our HE institutions need to form a view about that. Is it the case in further education that they cannot all forever be comprehensive? Our education and training providers exist to meet the needs of society and the economy. Can colleges have mission statements, no matter how they're actually crafted, which tend to mean by and large, 'meeting the needs of the community through high quality learning opportunities'? A mission statement which is, I suggest, bland.

31. In further education in particular we need to encourage more diversity of mission - less of all things to all people; more differentiation; the emergence of skills missions - because more

specialist and more expert providers would allow for the development of this concept of the informed supplier, well understood in business. An informed skills college might well be more proactive in developing new products and services not yet demanded by customers, whether they be learners or individual employers which anticipate the labour market and local economy trends. We must invest hope in dynamic, innovative front-line delivery. We cannot treat providers as slave suppliers, learning utilities easily interchangeable one with another, because in the end it will be the colleges and the providers who have customers, not the local offices of a funding and planning non-departmental public body.

32. Is it not time to encourage more colleges to adapt missions such as: 'to equip potential, new and existing workers with the skills for employment in a changing economy'? That sort of mission statement, of course, would obviously be heresy to many of my former colleagues, college principals.

33. And what of the content of the new skills agenda? Education for economic purposes is fairly straightforward, I suggest. It needs to provide for increased productivity, and needs to deal with new technology and new skills. It needs to show how to exploit technology.and knowledge and provide training for innovation, evolution, changing know-how.

34. We know that in manufacturing and production, technical progress is changing skills from physical effort and repetitive

process to controlling, maintaining and monitoring machines and design - study and organisation tasks. New technical skills, team working, the use of workers as change agents in organisations is creating a new personal competency mix.

35. And in the service sector-growing so rapidly in both private and public sectors - jobs are centred on interpersonal relationships. The new skills are perhaps more behavioural than intellectual. In the retail sector, there is a more exact match between an employee's behaviour and company objectives. A positive experience of customer care is as valuable to many customers as the acquisition of a piece of craft-made goods in the past. The shelf-stacker who knows something about the products that Tesco sells is a valuable asset.

36. But how should the supply side react to this new orthodoxy of globalisation, and the new knowledge-driven economies? Globalisation has been the buzzword of the 1990s and, ok, national economies are undoubtedly becoming steadily more integrated as cross-border flows of trade, investment and capital increase. Consumers are buying more foreign goods, a growing number of firms now operate across borders, and savers are investing more and more in far-flung places.

37. But despite the talk about a 'new' global economy, today's international economic integration is not unprecedented. The 50 years before the First World War saw large cross-border flows of goods, capital and people. That period of globalisation, like the

present one, was driven by reductions in trade barriers and by sharp falls in transport costs, thanks to the development of railways and steamships. The present surge of globalisation in a way resumes that previous trend, so it is interesting to note that in 1884 the Samuelson Commission, set up by Gladstone's government concluded that it was our failure to develop the technical and vocational skills needed which accounted for Britain losing ground to foreign competition. So should we be worried? Yes, but …

38. If we look at it calmly, industrial convergence is causing consolidation and common cost profiles for international industries and, therefore, to maintain return on assets and to maintain shareholder value, productivity has to improve faster than output growth and workers are laid off as a result. That looks to be a fairly remorseless process in many industries, and we in education and training need to understand it because what it means is this: an investment in skills is vital for productivity. We must not be persuaded that unemployment is just a function of a skills deficit. I heard last week a Tyneside man being interviewed on Radio 5 Live. And he was asked why, in the part of Newcastle where he lived, why was unemployment so high and firms were not taking on workers. And he said, in a shaft of brilliance, ''Cos there are no jobs.' And I do think it was as good an analysis as many I've heard. There were no jobs, that's why they weren't taking on workers, and that is a fact of globalisation and new technology and the need to maintain rates of return that will be constantly shedding jobs.

39. The theory of human capital which lies behind so much of the current rhetoric is very attractive to educationalists because it tells us that we are needed, that we are vital. The CBI 1989 report on skills said skills were the only factor left in competitive advantage. I spent a lot of time as a college principal in the North-East watching major investors like Nissan, working closely with Nissan, and spent a lot of time preparing for Siemans who lasted 11 months, and I'm not convinced that the theory of human capital is the only reason that major global players move around the world. The danger is, of course, that we allow education to be seen as the cause of economic failure in the future - we mustn't let that happen.

40. Globalisation of course, if you're really smart, is on its way out. The talk now, of course, is of new economies.

41. The theory of the 'new economy' as I understand it - and of course back in 1968 in Queensland we weren't quite on top of this agenda - but the theory of the new economy, as I understand it, is that hi-tech,
e-business, techno-visionaries with a combination of heroic forecasts and science fiction can produce a world of constant expansion, productivity surges and the end of unemployment and inflation as we know it.

42. I was reduced to actually reading a copy of the *Economist* to see if there was any rebuttal of this view, and it suggests a number of points. One, that the high productivity of computerised

manufacture has peaked in the USA and diminishing returns are now setting in; and I think as many of us understand our current low inflation, and low employment have got more to do with the strong pound and cheap commodities and cyclical weaknesses in the world economy than it has with any new economy. We who work in education and training, I think, should be more robust about how we deal with pundits, including perhaps this one.

43. Then there is the matter of information and communications technology (ICT). It is simply not possible, is it, to evaluate ICT's impact on knowledge and learning over next 10-20 years. It will have a huge impact, but how and when? It seems to me technologies take their effect through commercial, social or institutional change, and education should then be more aware and analytical of the changes rather than seduced by technology Utopias. Too often the skills strategies that we read assert rapid ICT-driven change but don't say enough about how. And perhaps that is how we should look at ICT in our own business - the business of learning.

44. I would add to Moore's Law, you know the idea that computing power doubles every 18 months, I would add *Hughes's Law*. ICT develops so fast that the potential for learning is never realised as new possibilities emerge and displace existing development. And so we have seen investment in CD-ROMs replaced by investment in the Internet on PCs and now the smart talk is about Wireless Application Protocol Devices which will make the PC redundant and

the Internet ubiquitous through mobile phones, Sega Playstations and everywhere else.

45. I think there is a serious point here. How do we stay on top of this? Can we really form a view about the relationships between learning and technology just 10 years from now, given the rate of change? And also can we envisage suppliers of education and training, and funding bodies for education and training, being able to live with the vast upfront capital cost of development of learning technology platforms? I think it's a serious problem and one that obviously the UfI needs to address. And of course, it's good sport to see how much we get the future wrong in general.

46. In the 1950s we all thought that people would walk around with televisions on their wristwatches, and they don't. What happened to the robot that did all the housework? I used to read the *Eagle* in the 1960s, a terrific comic, Sir Christopher agrees with me, a fine, fine comic. Well everybody in the *Eagle* if you remember flew around with little jet packs. You had a little lever on your arm and a jet pack on your back and you buzzed around space and so on. What happened to all of those things? The more we invent alternatives to the cinema, the more the cinema flourishes. 20 or 30 years from now we will probably be still travelling on aircraft that we're building just at the moment, just as on my more frequent trips to Australia I fly on 747s that were built 25 years ago. We will still be complaining about traffic congestion and the quality of the rail network. But the world will change, and the real change will be in the service sector. Just as Henry Ford's

production line brought high-quality manufactured products within the reach of ordinary people, the Net is transforming the service economy.

47. But the important thing for those of us who have to deliver education and training rather than write good books about it is to remember is that nothing is forever. Globalisation seems an all-powerful force but there may be no point in continuous integration of economies. A new American book, *Sharing the wealth*, argues that governments are playing a game of beggar thy labour, which will stir up a social backlash against globalisation.

48. So my point, I think, is this: that those of us who provide the education and training for our young people and adults need a more calculated view of the future - beyond assertions about change at unprecedented rates, dinner party chat about living on thin air and weightless economies. We need to concentrate on what works, what are the best arrangements for vocational education and training in the early years of the 21st century. And I want to make a few points about that.

49. Perhaps we need to try to put an end to the mood swings from markets to state planning in our approach to supply and demand in the provision of vocational education and training. Markets, and this was in my 1968 syllabus, work by providing customers with a price and a choice. If you leave either of these out, as happened in the so-called marketisation of further education in 1992, you create a quasi or artificial market. Those markets tend not to

work and require increasing levels of intervention as we have seen in the NHS and the utilities, and as we are now seeing in further education.

50. And in the world of vocational education and training, our learning market is complicated by the existence of three separate but connected markets. First, there is the immediate market, the would-be learner. Secondly, an intermediate market, the employer. Thirdly, an ultimate market, the economy. And they are different. It is the different motivation and choice processes between these markets that bedevil much debate about our vocational and training system.

51. You can have long rows with people about a demand-led system without any clear or shared understanding of who is the customer, who is the purchaser and what is the product, and is the customer an individual, an employer, or the state on behalf of the economy. Is the product a qualification, a set of skills, knowledge or, in some cases, access to learning time in a learning centre? We need to sort that discourse out or we will not make progress.

52. We also need to think about the continuous shift in the requirements that we make of our supply side. For example, our differing interpretations of what we mean by 'value for money'. Each of the three Es in value for money (and our sponsors for tonight will understand this, KPMG) - economy, efficiency and effectiveness are brought to bear in different ways at different times. In the early years of the 1990s, with the expansion of

access and a focus on *mass* participation the emphasis was on efficiency. Remember *More means less*: an RSA project, its author four rows away from me?

53. Transforming colleges and driving them on a business model produced significant unit cost reduction. But now the agenda is effectiveness and the Learning and Skills proposition is clearly for a more interventionist framework to create high-quality responsive providers - presumably on the premise that it is brakes that allow a car to go faster.

54. We need to begin to treat our vocational education providers as being within the real world not in some silo, separate from it and, in particular, to be part of supply chains providing employers with services like any other part of a supply chain. We need to see them as informed providers with their own intelligent analysis of labour markets, skills development and economic trends in their area.

55. With so much talk of the knowledge economy and knowledge management, why don't we treat colleges and trainers as expert? Isn't education a knowledge industry in its own right? Is it because of an underlying disdain for vocationalism and therefore a lack of respect for those who teach it?

56. Consider colleagues these two contrasting supply chain models. In the first, a company works with a trusted set of suppliers to invent a new product. In the second, the firm creates a

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proprietary design and places highly specified contracts with suppliers who may be anywhere that logistics and prudence will allow. The former leads to clusters of expertise; the latter to remote outsourcing and to sudden breaks in relationships. Which model is right for the supply of education and training services? Which model does the emerging Learning and Skills prospectus represent? Which model do employers seek?

57. Next, we need to get to grips with all this knowledge stuff. ICT is transforming knowledge flows. What is meant by comparative advantage is being redefined by global pursuit of best practice. But meeting the challenge and creating wealth is about people harnessing technology as it always was, from steam engines to mass production to e-commerce. Important though the Internet may be, it is less central to the future than simple human skills applied in increasingly unfamiliar contexts. When knowledge is ubiquitous, innovation is the key. Are there innovation skills? Can they be learnt? Is there a curriculum for innovation? When technology enables almost anything to be done, deciding what to do becomes the critical skill. When PowerPoint makes every presentation look stunning, people start looking for people with something to say.

58. In an increasingly networked economy it is organisational skills which become at a premium. So is there a case for beginning to think of a new core skills skills curriculum? The world has run out of language to describe these things: generic skills, core skills, transferable skills, liberal studies and general studies in the 1960s and so on. But is there at the heart of a new

vocational education and training curriculum proposition the central skills of innovation, decision-making and organisation? I think it's worth exploring that.

59. The knowledge economy, as we know, relies on expertise. That puts a premium on trust - while the flexible labour markets which have been encouraged over recent years tend to put an emphasis on self. And I think there is a problem here which those of us who work in the business are confronting. Some surveys show that workers tend not to trust entirely modern human resource strategies. So while employers become paranoid about poaching, employees don't believe learning organisations, or even Investors in People, and the like.

60. I heard a story recently from a college principal of an employer who remonstrated with a flexible-learning high street outlet of a college because he did not as a right receive a copy of the qualification certificate of his employee. 'As I funded the training,' he said, 'it's as much mine as his.' The college manager responded, 'Would you like to take the exam?'. Whose skills are they? It is a central conundrum and a central paradox.

61. I hope I've made a case for saying we need to modernise our front line. We do need to think about what we would mean by high volume, customised delivery of learning and skills. Can we look at the modern business and commercial paradigm with its talk of just-in-time solutions and is there a read across to what we must do on the supply side in education and training? Just what is the role

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of the intermediary in the provision of the supply of learning and skills? Many employers, I am sure, would want to be closer to their colleges and training providers. They would want, I think, to be in a quality supply-side relationship.

62. What is the role of the State in preparing this framework? The State's role should be more strategic than tactical. A good essay, I think, for somebody. A difficult proposition I guess in education, is it? The state seems reluctant to confine itself entirely to strategy when we are dealing with public services like education and national health. But the State's role pre-eminently is setting the framework, for example, policy - what percentage of the GDP is available for education and training, and I guess we have to understand that the requirements of the supply side will now inevitably bump against the ceiling which is relatively fixed by the State. What is the State's view on entitlement? What do we mean by working with individuals and employers? What's the nature of our national targets? How do we define quality, what do we mean by accountability?

63. How do we reform the supply side? Through funding, planning and regulation. What do we mean by capacity and capability on the supply side? How do we tackle the demand-side through marketing, pricing, incentives, or compulsion? And what are the products? Are they qualifications, are they awards, is it learning, is it skills, however defined? These are the places for the state to set those frameworks.

64. The challenge it seems to me we have is to get some sort of equilibrium across these frameworks. Currently some parts of the framework are stronger than others. The Learning and Skills proposals, for example, are extremely clear on quality, almost to a fault. We have well spelt-out arrangements for inspection, new independent, more accountable inspection systems. We have emerging very powerful quality improvement levers and mechanisms, quality improvement strategies and the Learning and Skills Council. Good, that's dealing with the supply side.

65. We are less clear about entitlement policy and the constant debate about Level 2 and Level 3 for different ages and for different groups of would-be learners. Other parts of these frameworks seem vulnerable to sudden shifts. For example, the supply side is currently moving from the relatively loose framework of institutional autonomy for colleges and with private companies (TECs) finding local solutions to training needs, to a much stronger framework which places all providers in a much stronger local planning bureaucracy.

66. To sum up: while most economists don't accept the direct links between educational outcomes and economic performance, and labour market economists tend to judge the effectiveness of the system through rate of return studies i.e. the benefit to individuals, we need to press on with the case for linking education and economy. Perhaps human endeavour is so central to the performance of companies and economies that you cannot disaggregate its contribution. Perhaps like detailed apportionment of cost

exercises, you end up knowing the price of everything and the value of nothing.

67. But commonsense, intuition and history tells us that we need a competitive workforce for a competitive economy. A more focussed system for skills, education and training, driven by informed customers and informed suppliers could provide a dynamic contribution to local and regional economies.

68. The creation of a Learning and Skills Council is a once-in-a-generation opportunity to get the supply side right. It is clearly a platform for that. It will then leave all of us free to concentrate on the bigger issue, which is generating effective demand for learning and skills. The new framework that the Government is proposing, and which it is currently leglislating for, allows us to contemplate expert, modern front-line skills development delivery, on campus, in new locations, at the workplace or in the home, with a set of providers whose core business is learning and work, providing those just-in-time skills solutions for businesses facing intense and shifting pressures.

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